

NOTICES OF FINAL RULEMAKING

The Administrative Procedure Act requires the publication of the final rules of the state's agencies. Final rules are those which have appeared in the *Register* first as proposed rules and have been through the formal rulemaking process including approval by the Governor's Regulatory Review Council or the Attorney General. The Secretary of State shall publish the notice along with the Preamble and the full text in the next available issue of the *Register* after the final rules have been submitted for filing and publication.

NOTICE OF FINAL RULEMAKING

TITLE 18. ENVIRONMENTAL QUALITY

CHAPTER 2. DEPARTMENT OF ENVIRONMENTAL QUALITY

AIR POLLUTION CONTROL

[R04-540]

PREAMBLE

- 1. Sections Affected**

R18-2-1610	<u>Rulemaking Action</u>
R18-2-1611	New Section
R18-2-1612	New Section
R18-2-1613	New Section
- 2. The statutory authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):**

Authorizing statutes: A.R.S. §§ 49-104(A)(10) and 49-425
Implementing statutes: A.R.S. §§ 49-458 and 458.01
- 3. The effective date of the rules:**

December 20, 2004

ADEQ is requesting an immediate effective date upon filing with the Secretary of State. According to A.R.S. 41-1032(2), the immediate effective date is appropriate in order to satisfy EPA approval requirements for the 2003 Arizona Regional Haze State Implementation Plan (SIP) by having an effective rule in place and submitted as a SIP revision by December 31, 2004.
- 4. A list of all previous notices appearing in the Register addressing the final rules:**

Notice of Rulemaking Docket Opening: 10 A.A.R. 217, January 9, 2004
Notice of Proposed Rulemaking: 10 A.A.R. 15, April 9, 2004
Notice of Supplemental Proposed Rulemaking: 10 A.A.R. 3752, September 10, 2004
- 5. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**

Name: Deborah "Corky" Martinkovic
Address: ADEQ, Air Quality Planning Section
1110 W. Washington St.
Phoenix, AZ 85007
Telephone: (602) 771-2372, or dial 800-234-5677 and enter 771-2372
Fax: (602) 771-2366
E-mail: martinkovic.deborrah@azdeq.gov
- 6. An explanation of the rule, including the agency's reasons for initiating the rules:**

Summary. These rules implement federal regional haze requirements for the pre-trigger portion of the SO₂ Milestones and Backstop Trading Program by requiring applicable stationary sources to monitor and report sulfur dioxide (SO₂) emissions to allow Arizona Department of Environmental Quality (ADEQ) to determine whether a regional SO₂ emission milestone has been exceeded. The procedures for applicable stationary sources to participate in a regional backstop market trading program should any milestone be exceeded is outlined in the Model Rule and Model Rule Supplement incorporated by reference in the proposed rule.

Background. Section 169A of the Clean Air Act (CAA) establishes a national goal for protecting visibility in federally protected national parks and wilderness areas ("Class I areas;" See 40 CFR 81.403). The goal is to remedy existing visibility impairment and prevent future visibility impairment in these Class I areas. Regional haze is a type of

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visibility impairment caused by air pollutants emitted by numerous sources across a broad region. In 1999, EPA promulgated a Regional Haze Rule that requires development of state implementation plans (SIPs) that assure “reasonable progress” toward the national visibility goal (64 FR 35714, July 1, 1999).

The 1999 Regional Haze Rule (40 CFR 51.309) provided an optional approach for the nine western states that comprised the transport region analyzed by the Grand Canyon Visibility Transport Commission (GCVTC) during the 1990s, including Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Utah, and Wyoming. Arizona, New Mexico, Utah, Oregon, and Wyoming have elected to comply with the Regional Haze Rule by submitting their first SIPs on December 31, 2003, based on the recommendations to improve visibility outlined in the GCVTC’s 1996 Report. This option is also available to eligible Indian Tribes within the geographical regional studied by the GCVTC. Indian Tribes have no deadline for submitting Tribal Implementation Plans (TIPs).

One element of the GCVTC’s recommendations was a backstop regional trading program to reduce stationary source emissions of SO₂. The GCVTC identified SO₂ as causing one third of the visibility impairment on the Colorado Plateau, with the majority of those emissions coming from stationary sources. The recommendation called for the setting of a series of declining caps on SO₂ emissions referred to as, “emissions milestones.” These milestones would provide sources incentive to reduce their SO₂ emissions voluntarily through means most economical and feasible to them rather than the conventional command-and-control approach to achieve reductions. Implementation plan assessments of progress and identification of deficiencies are due in the years 2008, 2013, and 2018. The voluntary measures that achieve the milestones were approved by EPA because they must achieve greater reasonable progress than the application and operation of controls under best available retrofit technology (BART). If the voluntary measures do not succeed in reducing SO₂ emissions over time, an enforceable market trading program would be triggered as a “backstop” to ensure the reductions would be met.

The Western Regional Air Partnership (WRAP), the successor organization to the GCVTC, authorized a regional work group consisting of affected states, tribes, and EPA regional offices to develop a “model” rule that each participating state would utilize as a standard to establish and operate the Western Backstop SO₂ Trading Program (WEB Trading Program) should any of the milestones be exceeded. The Model Rule and Model Rule Supplement, adopted by the WRAP on August 13, 2003, and incorporated by reference in this rulemaking is available from WRAP at www.wrapair.org. The Model Rule and Model Rule Supplement are also available through ADEQ.

Section R18-2-1610 defines terms used specifically in the rulemaking. Two terms that are used in this rule are not included in the definition section because they are already defined in R18-2-101. These terms are, “affected source” and “stationary source.” Section R18-2-1611 establishes which applicable stationary sources are required to participate in the pre-trigger requirements of the SO₂ Milestones and Backstop Trading Program. R18-2-1612 satisfies the pre-trigger requirements of the Regional Haze Rule at 40 CFR 51.309(d)(4)(ii) and outlines the monitoring, reporting, and recordkeeping requirements for the applicable stationary sources.

Section R18-2-1613 covers the transition to the Western Backstop SO₂ Trading Program upon the determination that a regional milestone was exceeded and the backstop trading program has been triggered. During this time it is essential that the applicable stationary sources continue the monitoring, reporting, and recordkeeping requirements until the WEB Trading Program is fully implemented, even if an applicable stationary source no longer emits 100 tons per year of SO₂.

The Model Rule and Model Rule Supplement outline the specific post-trigger requirements for the affected stationary sources under the Western Backstop SO₂ Trading Program. The requirements include the responsibility to select an account representative, register for the program, receive an allocation of allowances (a type of tradable emissions credit), and establish an account to hold the allowances. The applicable stationary sources continue to monitor, report, and maintain records to determine whether they have sufficient annual allowances within their account. Penalties are set should a source fail to comply with the allowance limitation requirements of the program. The Model Rule and Model Rule Supplement also establish a procedure should the 2018 regional milestone be exceeded, and impose a special penalty for 2018, and for any subsequent year regional SO₂ emissions continue to exceed the 2018 milestone.

Due to the need to establish the procedures for pre-trigger monitoring, recordkeeping, and reporting as soon as possible as required under 40 CFR 51.309(d)(4)(ii), and to meet the requirements of the 2003 Arizona Regional Haze State Implementation Plan before December 31, 2004, ADEQ requests an immediate effective date as permissible under A.R.S. 41-1032 (A)(2) and 41-1032(A)(3).

7. A reference to any study relevant to the rules that the agency reviewed and either relied on in its evaluation of or justification for the rules or did not rely on in its evaluation of or justification for the rules, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

An Assessment of Critical Mass for the Regional SO₂ Trading Program, prepared for Western Regional Air Partnership (WRAP) Market Trading Forum, ICF Consulting Group, September 27, 2002; available through the WRAP Web page at www.wrapair.org or through Arizona Department of Environmental Quality.

8. A showing of good cause why the rules are necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

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9. The summary of the economic, small business, and consumer impact:

A. Rule Identification and Summary

This rulemaking comprises new Sections, R18-2-1610 through R18-2-1613. Rule Sections R18-2-1607, R18-2-1608, and R18-2-1609 are reserved. The Sections within Article 16 pertain to visibility and regional haze.

Regional haze impairs visibility and is caused by air pollutants emitted by many sources across a region. The Clean Air Act (CAA) establishes a national goal to protect visibility in federally protected parks and wilderness areas, called federal Class I areas (40 CFR 81.403). Arizona has 12 federally protected Class I areas. The region consisted of a nine-state area in the west. Currently, the states participating in the backstop market trading program consist of the states submitting regional haze state implementation plans (SIPs) under Section 309 of the federal Regional Haze Rule; namely, Arizona, New Mexico, Utah, Oregon, and Wyoming. The 211 Indian Tribes within the region can also participate in the program through the completion of a tribal implementation plan (TIP) or source-specific implementation plans.

The CAA's national goal is attained by improving existing visibility impairment and preventing future visibility impairment in federally mandated Class I areas. Arizona has 12 Class I areas. Visibility improvements are anticipated by establishing milestones for sulfur dioxide (SO₂) reductions over time through voluntary reduction measures as opposed to command-and-control technologies. If the voluntary measures are unsuccessful, however, an enforceable market trading program will be established as a backstop to ensure that the SO₂ reductions can be achieved. The greatest reduction in SO₂ emissions is expected to occur during the last milestone, 2014 to 2018 (see Table below). By 2040, the regional goal for SO₂ reductions is 52 percent from the 1990 level of 831,000 tons.

Milestones	Cumulative 9 State Region Emission Reductions from 1990 (in tons of SO₂)
2003	111,000
2008	116,000
2013	176,000
2018	321,000

This rule implements procedures for Arizona sources participating in the Western Backstop SO₂ Trading Program as required under the federal Regional Haze Rule (40 CFR 51.309). The rule will require stationary sources subject to this rulemaking to monitor and report SO₂ emissions as a way to determine whether SO₂ emission milestones have been exceeded, and if so, require the sources to participate in the Western Backstop SO₂ Trading Program. Arizona's SO₂ emissions will be tracked annually along with other participating states and tribes, and analyzed in a regional milestone report submitted to EPA within a year after each milestone date.

B. Entities Directly Affected

Potential entities directly impacted by this rulemaking include Arizona stationary sources with actual SO₂ emissions of 100 tons or more per year. These sources include: Five coal-fired power plants (utilities), two cement plants, two lime plants, one pulp and paper plant, and three smelters (including one smelter that has suspended operations). The latter eight sources are generally categorized as non-utilities. Other entities include air pollution control manufacturers and vendors; contractors; consultants; lawyers; Arizona Department of Environmental Quality (ADEQ) as the implementing agency; and private persons and consumers.

Potential post-trigger sources include: BART-eligible sources (best available retrofit technology sources as defined in 40 CFR 51.301); other stationary sources not meeting the criteria set forth in R18-2-1611, with actual SO₂ emissions of 100 tons or more per year in the trigger years or subsequent years; and other stationary sources regulated under Section 111 or 112 of the CAA (after August 7, 1980).

C. Potential Costs and Benefits

It should be noted that the analysis outlined here includes both the pre-trigger and post-trigger costs and benefits of the trading program. The post-trigger requirements of the program can be found in the Model Rule and Model Rule Supplement incorporated by reference in the proposed rulemaking. The Model Rule and Model Rule Supplement are available at the Western Regional Air Partnership (WRAP) at www.wrapair.org and at ADEQ.

Before summarizing the preliminary costs and benefits of this rulemaking, it is necessary to discuss the nine-state region as a whole, as well as generalizations about Arizona sources impacted by this rulemaking. All dollar amounts represent 1997 dollars (as provided in the ICF study cited in section 7 of the preamble to this rule). Due to inflation, consumer prices have risen approximately 15 percent between 1997 and 2003. Likewise, one can expect capital investments and other compliance costs to also be higher now than in 1997.

Compliance costs are expected to be lowest if all states and tribes participate in the trading program because this will result in the greatest gains from trading. For example, annual compliance costs for the region could be as much as \$90

million less in 2018 under the trading option compared to states and tribes implementing command-and-control programs.¹ Arizona is one state in which sources are expected to have greater compliance costs under command-and-control. Consequently, sources located in Arizona are expected to experience the greatest cost-saving benefits from participating in the trading program. This is due partially to expectations that Arizona will be a net buyer of trading allowances. Thus, because Arizona has opted to participate in the trading program, not only will the Arizona sources experience lower compliance costs, but so will the entire region.

States in the nine-state region and 211 tribal areas may choose not to participate in the regional trading program and fulfill regional haze requirements by implementing command-and-control BART technology and satisfy Section 51.308 requirements of the federal Regional Haze Rule. States and tribes electing not to participate in the program, however, will make the regional program less flexible and increase compliance costs not only for themselves but for other program participants.

Program flexibility means that sources can reduce SO₂ emissions by installing pollution control equipment if that option represents a relatively lower cost alternative, or sources could purchase allowances if the market offers a less expensive means of reducing SO₂ emissions. For example, allowances could be sold to older sources at a price that is lower than the cost per ton of SO₂ emissions abatement for these sources.

Regulatory Agencies

ADEQ expects to be impacted minimally by its review of monitoring plans and reports from sources as well as its participation in the tracking system requirements, which will be managed and funded by an outside, regional administrator. The current number of ADEQ employees can be expected to handle the workload generated by this program.

Regulated Community

Owners and operators of applicable sources are required to monitor, report, and maintain records of their SO₂ emissions during the pre-trigger stage of the program established by this rulemaking. These sources already monitor and report emissions under existing stationary source requirements, but may have some additional costs due to an increase in the record retention requirement from five years to ten years. The additional pre-trigger monitoring, reporting, and recordkeeping requirements under the rule should have minimal impact. During this pre-trigger stage, owners and operators of sources can plan how they would reduce SO₂ emissions according to their own time-frames.

The incorporation of a pre-trigger time period is vital to the sources by allowing them flexibility to plan and select the optimal compliance strategy. Under command-and-control, sources are much more restricted in developing compliance options. In contrast, a trading program allows increased flexibility for sources to plan how to comply with SO₂ emissions caps and the best strategy for implementing compliance options. This preparation time can be viewed as the foundation for numerous cost-saving benefits to develop in the future. For example, sufficient time is needed to evaluate market conditions relating to demand and resource inputs. Additionally, a source may want to evaluate a variety of variables and options, such as emission variations, production costs, competition, economic profit, expansion capabilities, retrofit possibilities, investments in new technologies, etc. The pre-trigger time provides sources with a mechanism to successfully implement plans with a potential for significant cost-saving benefits.

Should the regional SO₂ emissions cap be exceeded, stationary sources would have an alternative means of reducing SO₂ emissions through tradable allowances, as opposed to having pollution control equipment installed under command-and-control. The regulated community would register for the trading program, select an account representative, and subsequently receive allowances in its compliance accounts. Monitoring would continue to determine whether sources have sufficient annual allowances in their respective accounts to operate.

Compliance costs could include fuel costs, annualized capital investments, and operation and maintenance expenditures. Some of the expenditures could include investments in new capacity. According to ICF Consulting Group,² Arizona's owners and operators of affected sources would experience annual incremental compliance costs by 2013 of \$25 million if participating in the trading program or \$37 million if complying through command-and-control. By 2018, annual compliance costs for owners and operators of Arizona's sources are expected to be \$25 million for participating in the trading program and \$40 million for command-and-control.

It is anticipated that Arizona will have more total SO₂ emissions from its affected sources than its emissions budget (i.e., a negative net-allowance budget). Because approximately one-third of the SO₂ emission reductions from participating states will come from Arizona sources, Arizona would be a net buyer of trading allowances from out-of-state suppliers. Estimated allowances needed are expected to be in the range of 10,000 to 20,000 tons of SO₂, not including

1. Anticipated annual savings are the difference between the estimated costs for implementing command-and-control at \$210 million vs. \$120 million for all states and tribes participating in a full trading program. The amount of emissions reduction would be about the same under either program approach. The amount of actual cost savings could change based on which and how many states and tribes elect to opt out of the trading program. See ICF Consulting Group, An Assessment of Critical Mass for the Regional SO₂ Trading Program, prepared for Western Regional Air Partnership Market Trading Forum, September 27, 2002.

2. An Assessment of Critical Mass for the Regional SO₂ Program, ICF Consulting Group, 2002.

any intrastate trades. Based on an estimated allowance price of \$1,100 to \$2,100 per ton of SO₂, Arizona's sources may have to expend between \$11 million to \$42 million to purchase allowances from Indian tribes or sources in other states.³ Arizona sources could use allowances to avoid some of the high costs of investing in pollution control equipment.

Owners and operators of sources participating in the trading program will incur additional compliance costs due to administrative burdens. These costs fall under post-trigger monitoring, recordkeeping, and reporting requirements, and include the preparation of monitoring plans and compliance certification reports. These costs are expected to be minimal in comparison to costs that would be incurred under a straight command-and-control program. Additionally, owners and operators of sources out of compliance will incur penalties in the form of allowance deductions and assessments of \$5,000 per ton per violation. Other civil and criminal penalties also could be assessed.

Consumers and Public

ADEQ anticipates that reductions in SO₂ through implementation of this rule will generate benefits for the public at large. These benefits include improvement in visibility, human health, and a possible decrease in acid rain deposition.⁴ Air quality changes are expected to improve visibility in national parks and wilderness areas, as well as other areas within the transport region. Potential human health benefits are expected to accrue because SO₂ emissions can aggravate asthma. Reductions in SO₂ emissions could also avert or reduce acute illnesses or ailments (e.g., shortness of breath, chest tightness, or wheezing). Health gains also could include reduced hospital admissions for respiratory and cardiovascular problems. Avoidance of premature deaths is also a likely possibility.

Sources may pass on increased compliance costs to consumers. Thus, increases in production costs may be reflected in higher prices for goods. Even though the health and welfare benefits are for the most part unquantifiable, it is believed that probable economic benefits will exceed probable costs of this rulemaking, particularly because the compliance costs of a trading program are less than those of a command-and-control emissions reduction program.

D. Potential Impacts to Small Businesses

A variety of methods is available to reduce the impact of a rulemaking on small businesses. A.R.S. §41-1035 prescribes five methods for reducing the impact. These methods include establishing less stringent compliance or reporting requirements, less stringent schedules or deadlines for compliance or reporting requirements, simplified reporting requirements, replacing design or operational standards with performance requirements, or exempting small businesses from some or all rule requirements. None of these methods, however, is feasible or fall within the requirements of this rulemaking. Furthermore, applicable sources are expected to be large sources and not classified as small businesses. Sources undergoing modifications that could produce actual SO₂ emissions of 100 tons or more per year would become applicable sources. Potentially, some of these sources could be classified as small businesses.

10. A description of the changes between the proposed rules, including supplemental notices, and final rules (if applicable):

A Notice of Proposed Rulemaking (10 A.A.R. 15, April 9, 2004) and public hearing held May 17, 2004, were summarized in the Notice of Final Rulemaking (NFRM) submitted to the Governor's Regulatory Review Council (GRRC) staff on June 21, 2004. Upon G.R.R.C.'s preliminary review of the NFRM, it was ADEQ's conclusion that the revisions necessary to meet particular regulatory requirements could jeopardize the intent and consistency of the post-trigger (i.e., actual trading program procedures) portion of the rule. Because the Model Rule developed for the states participating in the program is the basis for all state-specific rules developed for the post-trigger portion of the program, ADEQ discussed the option of incorporation of the Model Rule for the post-trigger portion of the rule. The proposed rule was then revised to maintain the pre-trigger portion of the originally proposed rule (R18-2-1607 through 1613), and the post-trigger portion of the originally proposed rule (R18-2-1614 through 1623) was eliminated with the Model Rule incorporation substituting for those deleted sections. The revised rule was then submitted as a Supplemental Proposed Rulemaking (10 A.A.R. 37, September 10, 2004) with a public hearing held October 13, 2004.

Changes made to the Supplemental Proposed Rule reflect minor grammatical and technical changes for clarity and conciseness, along with revisions made as a response to comments received. Those changes include:

1. R18-2-1610(A). This rule implements the pre-trigger provisions of the SO₂ Milestones and Backstop Trading Program required under ~~40 CFR 51.309(d)(4)(ii)~~ 40 CFR 51.309(h)(2). Nothing in this Article waives any requirement otherwise in effect or subsequently required under any other law, including rules governing new sources.

R18-2-1610(B)(3). "Milestone" means the maximum level of stationary source regional sulfur dioxide emissions for each year from 2003 to 2018 as provided in ~~40 CFR 51.309(f)(1)(i)~~ 40 CFR 51.309(h)(1).

R18-2-1611(A). All BART-eligible sources as defined in ~~40 CFR 51.303~~ 40 CFR 51.301 that are BART-eligible due to SO₂ emissions.

3. Costs per ton are dependent upon several factors, such as transaction costs, market power, risk, and market inefficiencies.

4. U.S. EPA and National Park Service, 2018 Milestone Reductions Benefits Assessment, August 11, 2000.

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2. R18-2-1612(A)(8) now reads, "Retain all records required under this Section for a minimum of 10 years from the date of record creation, or if the records was were the basis for an adjustment to a milestone under 40 CFR 51.309(h)(1), 5 years from the date of a state implementation plan revision, whichever is longer."

3. R18-2-1612(A)(2) now reads, "Submit to the Director an annual inventory of SO₂ emissions, beginning with the 2003 emission inventory by the date specified in R18-2-327(A)". R18-2-1612(A)(3) now reads, "Submit to the Director, if the stationary source is a smelter, an annual report of sulfur input in tons per year with the submission of the annual emissions inventory as required by subsection (A)(2)".

4. R18-2-1612(B)(1)(a) through (c) has been revised to R18-2-1612(B) in order to specify a date in the event the program is triggered, and now reads, "Any stationary source that meets the criteria of R18-2-1611 at any time after December 10, 2004, shall continue to comply with R18-2-1612 even if the source no longer has actual SO₂ emissions of 100 tons per year or more until either one year after the date of program trigger, or the Director determines under 40 CFR 51.309(h)(3) that the regional SO₂ 2018 milestone was achieved."

11. A summary of the comments made regarding the rule and the agency response to them:

A total of seven comments were received on the Supplemental Proposed Rulemaking.

Comment No. 1: Corrections to regulatory references.

Response: Corrections were made as shown in number 1, section 10 of this final rulemaking.

Comment No. 2: The rule should clarify that all documentation relied upon by a source to determine or calculate emissions are records that are subject to the record retention provision in section R18-2-1612(A)(8).

Response: The rule has been revised at R18-2-1612(A)(8) to include "all" as shown in number 2, section 10 of this final rulemaking.

Comment No. 3: Arizona's requirements should include a specific deadline for submitting the data required in R18-2-1612(A)(2).

Response: The rule has been revised to include a specific deadline as shown in number 3, section 10 of this final rulemaking. The deadline is equivalent to the deadline already specified in the reporting requirements outlined in Title 18, Chapter 2, Article 3, of the Arizona Administrative Code; specifically, R18-2-327(A).

Comment No. 4: We understand that the intent of this section is to establish a termination date for pre-trigger monitoring, recordkeeping, and reporting under this rule. In addition to meeting the 2018 milestone, another basis for terminating the pre-trigger requirements is the beginning of the post-trigger monitoring provisions. The rule should more clearly specify the date that sources will be subject to post-trigger monitoring, recordkeeping, and reporting.

Response: The program trigger is an event and cannot be given a specific date. The rule has been revised to clarify that one year after the program is triggered is the transition period between pre-trigger requirements and post-trigger requirements.

Comment No. 5: The trading program is triggered in accordance with the procedures laid out in the State's Implementation Plan adopted to comply with 40 CFR 51.309(h)(1) and (3). The rule should refer to these state-adopted procedures directly rather than the general requirements in 40 CFR 51.309(h)(1) and (3) to adopt such procedures.

Response: A.R.S. § 41-1028 prohibits incorporation by reference of standards or regulations without an effective date. Arizona Regional Haze State Implementation Plan is yet to be approved and has no effective date. Sources are directed to the specific state implementation plan procedures within the procedures cited in the CFR.

Comment No. 6: In R18-2-1611(B) where it says all stationary sources that have actual SO₂ emissions of 100 tons or more are subject to this requirement, I believe that any source that was part of the baseline determination when the milestones were set is also subject to this reporting requirement.

Response: 40 CFR 51.309(h)(2)(i) states that the plan must provide for annual emission monitoring and reporting beginning with the calendar year 2003, for all sources with actual emissions of sulfur dioxide of 100 tons per year or more as of 2003, and all sources with actual emissions of 100 tons or more per year in any subsequent year.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class rules:

Not applicable

13. Incorporation by reference and their location in the rule:

<u>Incorporations by reference</u>	<u>Location</u>
Western Backstop SO ₂ Trading Program Model	R18-2-1613
Rule and Model Rule Supplement	

14. Were these rules previously adopted as emergency rules?

No

15. The full text of the rules follows:

TITLE 18. ENVIRONMENTAL QUALITY

CHAPTER 2. DEPARTMENT OF ENVIRONMENTAL QUALITY
AIR POLLUTION CONTROL

ARTICLE 16. VISIBILITY; REGIONAL HAZE

Section

- R18-2-1610. SO₂ Milestones and Backstop Trading Program; Definitions
R18-2-1611. Applicability
R18-2-1612. Pre-trigger Monitoring, Recordkeeping and Reporting
R18-2-1613. Western Backstop SO₂ Trading Program Trigger

ARTICLE 16. VISIBILITY; REGIONAL HAZE

R18-2-1607. Reserved

R18-2-1608. Reserved

R18-2-1609. Reserved

R18-2-1610. SO₂ Milestones and Backstop Trading Program; Definitions

- A.** This rule implements the pre-trigger provisions of the SO₂ Milestones and Backstop Trading Program required under 40 CFR 51.309(h)(2). Nothing in this Article waives any requirement otherwise in effect or subsequently required under any other law or rules for new sources.
- B.** When used in this Article:
1. "Actual SO₂ emissions" means total annual sulfur dioxide emissions determined according to R18-2-1611.
 2. "Fugitive emissions" means those emissions that can not reasonably pass through a stack, chimney, vent, or other functionally equivalent opening.
 3. "Milestone" means the maximum level of stationary source regional sulfur dioxide emissions for each year from 2003 to 2018 as provided in 40 CFR 51.309(h)(1).
 4. "Western Backstop SO₂ Trading Program" means the program implemented under R18-2-1613.

R18-2-1611. Applicability

- A.** All BART-eligible sources as defined in 40 CFR 51.301 that are BART-eligible due to SO₂ emissions are subject to the requirements of this Section.
- B.** All stationary sources that have actual SO₂ emissions of 100 tons or more per year are subject to the requirements of this Section.
- C.** When determining actual SO₂ emissions in subsection (B), the Director shall not include fugitive emissions of a stationary source unless that source belongs to one of the following categories:
1. Coal cleaning plants (with thermal dryers);
 2. Kraft pulp mills;
 3. Portland cement plants;
 4. Primary zinc smelters;
 5. Iron and steel mills;
 6. Primary aluminum ore reduction plants;
 7. Primary copper smelters;
 8. Municipal incinerators capable of charging more than 250 tons of refuse per day;
 9. Hydrofluoric, sulfuric, or nitric acid plants;
 10. Petroleum refineries;
 11. Lime plants;
 12. Phosphate rock processing plants;
 13. Coke oven batteries;
 14. Sulfur recovery plants;
 15. Carbon black plants (furnace process);
 16. Primary lead smelters;
 17. Fuel conversion plants;
 18. Sintering plants;
 19. Secondary metal production plants;
 20. Chemical process plants;
 21. Fossil-fuel boilers or combination of boilers totaling more than 250 million British thermal units per hour heat input;

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- 22. Petroleum storage and transfer units with a total storage capacity exceeding 300,000 barrels;
- 23. Taconite ore processing plants;
- 24. Glass fiber processing plants;
- 25. Charcoal production plants;
- 26. Fossil-fuel-fired steam electric plants of more than 250 million British thermal units per hour heat input; or
- 27. Any other stationary source category, which as of August 7, 1980, is regulated under Section 111 or 112 of the Act.

R18-2-1612. Pre-trigger Monitoring, Recordkeeping, and Recording

- A.** All stationary sources meeting the criteria of R18-2-1611, for the period defined in subsection (B) shall:
- 1. Comply with applicable monitoring, recordkeeping, and reporting requirements in R18-2-304, R18-2-306, R18-2-327, and R18-2-715.01;
 - 2. Submit to the Director an annual inventory of SO₂ emissions, beginning with the 2003 emission inventory by the date specified in R18-2-327(A);
 - 3. Submit to the Director, if the stationary source is a smelter, an annual report of sulfur input in tons per year with the submission of the annual emissions inventory as required by subsection (A)(2);
 - 4. Utilize appropriate emission factors and estimating methodology, and document the emissions monitoring or estimation methodology used by the source;
 - 5. Include SO₂ emissions from start up, shut down, and upset conditions in the annual total inventory;
 - 6. Utilize, if an affected source, methods from 40 CFR Part 75 to measure and calculate SO₂ emissions;
 - 7. Maintain records that include the rate and period of SO₂ emissions, the specific installation that is the source of the SO₂ emissions, type and efficiency of the air pollution control equipment, and other information necessary to quantify operation and emissions, and to evaluate pollution control;
 - 8. Retain all records required under this Section for a minimum of 10 years from the date of record creation, or if the records were the basis for an adjustment to a milestone under 40 CFR 51.309(h)(1), five years from the date of a state implementation plan revision, whichever is longer.
- B.** Duration and termination of pre-trigger requirements. Any stationary source that meets the criteria of R18-2-1611 after December 10, 2004, shall continue to comply with R18-2-1612 even if the source no longer has actual SO₂ emissions of 100 tons per year or more until either one year after the date of program trigger, or the Director determines under 40 CFR 51.309(h)(3) that the regional SO₂ 2018 milestone was achieved.

R18-2-1613. Western Backstop SO₂ Trading Program Trigger

The requirements of the Western Backstop SO₂ Trading Program contained in the Western Backstop SO₂ Trading Program Model Rule and Model Rule Supplement as adopted August 13, 2003 (and no later amendments or editions) by the Western Regional Air Partnership (WRAP), are incorporated by reference and available through the Western Regional Air Partnership at www.wrapair.org, and the Director. The requirements shall apply to applicable sources in the Model Rule and Model Rule Supplement beginning on the date the Director determines the program has been triggered according to 40 CFR 51.309(h)(1) and 51.309(h)(3).

NOTICE OF FINAL RULEMAKING

TITLE 19. ALCOHOL, HORSE AND DOG RACING, LOTTERY, AND GAMING

CHAPTER 3. ARIZONA STATE LOTTERY COMMISSION

[R04-541]

PREAMBLE

1. Sections Affected

R19-3-401
R19-3-402
R19-3-402
R19-3-403
R19-3-403
R19-3-404
R19-3-405
R19-3-406
R19-3-407
R19-3-408
R19-3-409
R19-3-410

Rulemaking Action

Amend
Repeal
New Section
Repeal
New Section
New Section

Notices of Final Rulemaking

R19-3-411
R19-3-412

New Section
New Section

2. The statutory authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):

Authorizing statute: A.R.S. § 5-504(B).

Implementing statute: The specific statute for orders approving a game profile is A.R.S. §§ 5-504(C)(D), to authorize a multi-state game is A.R.S. § 5-504(I).

3. The effective date of the rules:

February 15, 2005

4. A list of all previous notices appearing in the Register addressing the final rules:

Notice of Rulemaking Docket Opening: 10 A.A.R. 370, January 30, 2004

Notice of Proposed Rulemaking: 10 A.A.R. 1869, May 7, 2004

5. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:

Name: Katie Pushor, Executive Director

Address: Arizona State Lottery
4740 E. University Drive
Phoenix, AZ 85034

Telephone: (480) 921-4400

Fax: (480) 921-4488

E-mail: kpushor@azlottery.gov

or

Name: Pam Scharon

Address: Arizona State Lottery
4740 E. University Drive
Phoenix, AZ 85034

Telephone: (480) 921-4489

Fax: (480) 921-4425

E-mail: pscharon@azlottery.gov

6. An explanation of the rules, including the agency's reason for initiating the rules:

Article 4, the rules for the Lottery's On-line Games set forth provisions unique to the conduct of the Arizona Lottery's on-line games. These rules explain the common components of on-line games: game profiles, how to play an on-line game, ticket characteristics and restrictions, drawings, ticket ownership and responsibilities, how to identify a winning ticket, the procedures required to claim prizes and the claim period, ticket validation requirements, prize payments, and disputes concerning a ticket.

7. A reference to any study relevant to the rules that the agency reviewed and either relied on in its evaluation of or justification for the rules or did not rely on in its evaluation of or justification for the rules, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting materials:

None

8. A showing of good cause why the rules are necessary to promote a statewide interest if the rules will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

9. The summary of the economic, small business, and consumer impact:

A. The Arizona State Lottery.

These rules allow the Lottery to introduce new on-line games and modify existing on-line games in a more timely and cost effective manner, thus providing the State and licensed retailers with a potential to increase sales revenue. The rules also provide an effective method for management of tickets and validations to limit losses to the Lottery.

B. Political Subdivisions.

Political subdivisions of this state are not directly affected by these rules.

C. Businesses Directly Affected by this Rulemaking.

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Lottery licensed retailers are the only businesses affected by these rules. The rules' impact on licensed Lottery retailers is to specify how they determine if a ticket is a winning ticket and if so, the prize amount. The rules provide for the effective management of equipment and supplies provided by the Lottery to licensees. These rules allow the Lottery to introduce new on-line games and modify existing on-line games in a timelier manner, thus providing licensed retailers with a potential increase in sales revenue. Licensed retailers currently receive \$.065 for each \$1 transaction.

D. Private and Public Employment.

Private and public employees are not directly affected by the adoption of these rules.

E. Consumers and the Public.

There are no costs to the public associated with the adoption of these rules. The rules provide for efficient prize redemption by the public and a fair and objective manner for handling economic disputes. These rules also provide players with additional or enhanced on-line games from which to choose.

F. State Revenues.

These rules allow the Lottery to introduce new on-line games and modify existing on-line games in a timelier manner, thus providing the State with a potential to increase sales revenue.

10. A description of the changes between the proposed rules, including supplemental notices, and final rules (if applicable):

The following technical and grammatical changes were made between the proposed and final rules as a result of suggestions from the Attorney General's Office.

In R19-3-401(A)(1) and R19-3-402(A)(6) the word "Division 1" was clarified by adding "(jackpot)" afterward.

In R19-3-402(A), language was changed to clarify that each game shall have a Game Profile.

In R19-3-406(C)(4), inserted "in writing" after "notified."

In R19-3-406(C)(7), inserted "portion" after "any."

In R19-3-408(A), language was added to clarify that a prize may be claimed at a Lottery office or the ticket mailed to a Lottery office.

In addition, the word "can" was changed to "may" and the word "will" was changed to "shall" in various places throughout the rules to comply with rule-writing requirements.

11. A summary of the comments made regarding the rules and the agency response to them:

No oral or written comments were received from the public regarding the proposed rules.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

Not applicable

13. Incorporations by reference and their location in the rules:

Not applicable

14. Were these rules previously made as emergency rules?

No

15. The full text of the rules follows:

TITLE 19. ALCOHOL, HORSE AND DOG RACING, LOTTERY, AND GAMING

CHAPTER 3. ARIZONA STATE LOTTERY COMMISSION

ARTICLE 4. ON-LINE LOTTERY GAMES DESIGN AND OPERATION OF ON-LINE GAMES

Section

R19-3-401.	<u>Arizona On-line Games—General Provisions Definitions</u>
R19-3-402.	<u>"Arizona Bingo" Game Profile</u>
R19-3-403.	<u>"Pick 3™" Ticket Purchase, Characteristics, and Restrictions</u>
R19-3-404.	<u>Drawings</u>
R19-3-405.	<u>Ticket Ownership and Responsibility</u>
R19-3-406.	<u>Ticket Validation Requirements</u>
R19-3-407.	<u>Procedure for Claiming Prizes</u>
R19-3-408.	<u>Claim Period</u>

- R19-3-409. Prize Payment
- R19-3-410. Disputes Concerning a Ticket
- R19-3-411. Prize Fund
- R19-3-412. Multi-State Lottery Association Game Rules

ARTICLE 4. ~~ON-LINE LOTTERY GAMES~~ DESIGN AND OPERATION OF ON-LINE GAMES

R19-3-401. ~~Arizona On-line Games—General Provisions~~ Definitions

- ~~A.~~ Definitions. In this Chapter, unless the context otherwise requires, these words and terms shall have the following meanings:
- ~~1.~~ “Breakage” means a situation in which the shares in each prize category are rounded down to the nearest ten cents.
 - ~~2.~~1. “Cash value” means payment of the Division 1 (jackpot) prize pool share amount paid in one lump sum as provided in the prize structure in the game profile.
 - ~~3.~~2. “Drawing” means the process used to randomly select the winning numbers play symbols from the defined game matrix.
 - ~~4.~~3. “On-line Lottery Game” means a game where tickets are purchased through a network of Arizona Lottery-issued computer terminals located in retail outlets. The terminals are linked to a central computer that records the wagers.
 - ~~4.~~ “Fantasy 5” means a game in which five numbers of a 35-number matrix are selected as a game play.
 - ~~4.~~ “Fixed payout” means a set prize dollar amount for that specific prize in the prize structure.
 - ~~5.~~5. “Game board” or “board” means the areas of the selection slip which contains numbered squares contain a matrix that lists all the offered play symbols. Each game board is identified with one letter from A through E, corresponding to the numbers selected and printed on the purchased ticket. More than one game board may appear on the selection slip.
 - ~~6.~~ “Game option” means a game feature that is tied to a specific game which the player has a choice to play.
 - ~~6.~~7. “Game play” or “play” means the selected numbers play symbols which appear on a ticket as a single lettered selection wager. More than one game play may appear on a ticket.
 - ~~8.~~ “Game profile” means the written document in which the Lottery Commission authorizes the Director to issue an order that contains all of the non-confidential game fundamentals required by these rules for an on-line game.
 - ~~7.~~9. “Game ticket” or “ticket” means a ticket receipt produced by a Lottery- issued terminal which contains the caption designating the game name, from one to five lettered game plays each having the numbers selected, the beginning and ending drawing dates, a four-digit security code, the price of the ticket, the number of draws, evidencing the purchase of a participation in a game or game option. The ticket contains a security code, ticket price, a retailer number, and a 12-digit serial number and the game symbols purchased for one or more specific drawings.
 - ~~8.~~ “LOTTO” means a game in which six numbers of a 42-number matrix are selected as a game play.
 - ~~10.~~ “Matrix” means the number of selections a player may choose from a predetermined pool of play symbols.
 - ~~9.~~11. “Multiple winners” means a situation in which more than one claimant redeems an individual share in one wager.
 - ~~10.~~ “Original Annuity” means an annuitized value of the Division 1 prize pool share amount paid in 20 equal annual payments.
 - ~~12.~~ “Pari-mutuel” means a system in which those holding winning tickets divide the total prize amount in proportion to their wagers.
 - ~~13.~~ “Play style” means the description in the game profile of the matrix, play symbols, and the manner of selecting the winning play symbols.
 - ~~14.~~ “Play symbols” means the numbers, letters, symbols, or pictures used in the matrix to determine if a player is entitled to a prize.
 - ~~11.~~15. “POWERBALL” means a multi-state game in which five numbers of a 45-number matrix plus one number of a second 45-number matrix are selected as a game play that is conducted pursuant to the rules of the Multi-State Lottery Association (MUSL) and approved by a game profile.
 - ~~16.~~ “Prize category” means the value of a specific prize.
 - ~~17.~~ “Prize structure” means the chart of the prize value, number of prizes or prize payout percentage, any fixed payments, any pari-mutuel payments, and the odds of winning the prizes.
 - ~~18.~~ “Prohibited games” mean on-line or electronic keno or internet games.
 - ~~12.~~19. “Quick pick” means the random selection by a terminal of numbers one or more play symbols from the defined game matrix, which appear on a ticket as a single lettered selection.
 - ~~13.~~20. “Selection slip” means a card used in marking a player’s game plays preprinted set of game boards provided by the Lottery upon which the player selects play symbols and game options. Each selection slip has five may have multiple game boards.
 - ~~14.~~ “Set Prize” means a prize that is advertised to be paid by a single cash payment.
 - ~~15.~~21. “Share” means any single winning game play, which is equal to any other-share in the same prize category division.
 - ~~16.~~22. “Terminal” means a device which is authorized by the Lottery linked to a central computer to function in an on-line, interactive mode with the Lottery’s computer system. The terminal is functional for the purpose of issuing Lottery tickets and entering, receiving, and processing Lottery transactions. These transactions include producing and void-

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ing ticket purchases, validating winning tickets, and transmitting reports.

17-23. "Winning numbers or winning play symbols" means the numbers or play symbols from the defined game matrix randomly selected at each drawing which determine winning game plays contained on a ticket.

- B.** Price of game plays. Each game play shall sell for no more than \$1.00.
- C.** Ticket purchase, characteristics, and restrictions. The retailer shall issue a ticket from the terminal containing any selected set of numbers from the defined game matrix.
 - 1. To play an on-line game, a player may select one or more sets of different numbers from the defined game matrix for input into a terminal. A play may select each set by:
 - a. Verbally communicating the numbers to a retailer;
 - b. Marking the numbered squares required in any one game board on a selection slip and submitting the selection slip to a retailer;
 - c. Requesting a "quick pick" from the retailer, or
 - d. Marking "quick pick" on a selection slip.
 - 2. A ticket, subject to the validation requirements of subsection (G), is the only proof of any game play and the only valid receipt for claiming any prize. A selection slip has no pecuniary or prize value and does not constitute evidence of any ticket purchased.
 - 3. A ticket holder may have a Lotto or Fantasy 5 ticket voided by returning the ticket to the retailer who sold it on the date of purchase before the terminal is closed for that day. Powerball tickets may not be voided or canceled by returning the ticket to the retailer who sold it or to the lottery, including tickets that are printed in error. No ticket shall be returned to the Lottery for credit. Tickets accepted by retailers as returned tickets and which cannot be resold shall be deemed owned by the bearer thereof.
 - 4. If a ticket is voided as prescribed in paragraph (3), the retailer shall refund the ticket price to the ticket holder.
 - 5. The Lottery shall not be liable for tickets printed in error. The ticket purchaser is responsible for the accuracy of any game play and other data printed on the ticket. In the event of an error, the player's sole remedy is the voiding of the ticket, pursuant to paragraph (3).
 - 6. Retailer shall not sell a ticket or combination of tickets to any person or entity which would guarantee such purchaser a win.
 - 7. Plays may only be entered manually using the lottery terminal keypad or touch screen or by means of a selection slip provided by the Lottery and hand marked by the player. Retailers shall not permit the use of facsimiles of selection slips, copies of selection slips, or other materials that are inserted into the terminal's selection slip reader that are not printed or approved by the Lottery.
- D.** Drawings:
 - 1. The drawings shall be held at the times and places established by the Director and subsequently announced to the public.
 - 2. The objective of a LOTTO drawing is to select the six random winning numbers with the aid of mechanical drawing equipment.
 - 3. The objective of a "Fantasy 5" drawing is to randomly select five winning numbers with the aid of mechanical drawing equipment.
 - 4. The objective of a "POWERBALL" drawing is to randomly select five winning numbers from a 45 number matrix, plus the Powerball winning number from a second 45-number matrix, with the aid of mechanical drawing equipment.
- E.** Determination of "LOTTO" prize game plays:
 - 1. Prizes shall be determined and awarded on the following basis:

Game Plays Containing	Prize Category	Share of Prize Fund
All Six Winning Numbers	Division 1 (Jackpot)	69% after Division 4 Allotment
Any Five Winning Numbers	Division 2 (Second Place) allotment	10% after Division 4
Any Four Winning Numbers	Division 3 (Third Place)	21% after Division 4 Allotment
Any Three Winning Numbers	Division 4 (Fourth Place)	\$2.00
 - 2. Each winning game play shall be paid an equal share of a prize category. No more than the highest division prize amount established shall be paid on a winning game play.
 - 3. Any money left in a prize category after breakage shall be included in the Division 1 prize pool.
- F.** Determination of "Fantasy 5" prize game plays:
 - 1. Prizes shall be determined and awarded on the following basis:

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Game Plays Containing	Prize Category	Prize
All Five Winning Numbers	Division 1 (Top Prize)	\$50,000
Any Four Winning Numbers	Division 2 (Second Place)	\$500
Any Three Winning Numbers	Division 3 (Third Place)	\$5

2. No more than the highest division prize amount established shall be paid on a winning game play.
3. If there are more than ten Division 1 winning game plays in a single drawing, each will receive an equal proportionate share of a maximum \$500,000.

G. Determination of POWERBALL prize game plays:

Game plays Matching Lottery Draws of:	Prize Category	Prize or Share Of Prize Pool:
All 5 of 1st matrix plus 1 of 2nd Jackpot		60.56 of Prize Pool
All 5 of 1st matrix and 0 of 2nd	Division 2	\$100,000
Any 4 of 1st matrix plus 1 of 2nd	Division 3	\$5000
Any 4 of 1st matrix plus 0 of 2nd	Division 4	\$100
Any 3 of 1st matrix plus 1 of 2nd	Division 5	\$100
Any 3 of 1st matrix plus 0 of 2nd	Division 6	\$5
Any 2 of 1st matrix plus 1 of 2nd	Division 7	\$5
Any 1 of 1st matrix plus 1 of 2nd	Division 8	\$2
0 of 1st matrix plus 1 of 2nd	Division 9	\$1

2. Each Jackpot winning game play shall be paid an equal share of the prize category. No more than the highest division prize amount established shall be paid on a winning game play.
3. The prize pool percentage allocated to the set prizes (the cash prizes of \$100,000 or less) shall be carried forward to subsequent draws if all or a portion of it is not needed to pay the set prizes awarded in the current draw. If the total of the set prizes awarded in a drawing exceeds the percentage of the prize pool allocated to the set prizes, then the amount needed to fund the set prizes awarded shall be drawn from the following sources, in the following order:
 - a. The amount allocated to the set prizes and carried forward from previous draws, if any;
 - b. An amount from the set prize reserve account, if available, not to exceed \$20 million per drawing.
4. If, after these sources are depleted, there are not sufficient funds to pay the set prizes awarded, then the highest set prize shall become a pari mutual prize. If the amount of the highest set prize, when paid on a pari mutual basis, drops to or below the next highest set prize and there are still not sufficient funds to pay the remaining set prizes awarded, then the next highest set prize shall become a pari mutual prize. This procedure shall continue down through all set prizes levels, if necessary, until all set prize levels become pari mutual prize levels. In that instance, the money available from the funding sources listed in this rule shall be divided among the winning plays in proportion to their respective prize percentages.

H. Ticket ownership and responsibility:

1. Until a ticket is signed, the ticket is owned by its physical possessor.
2. When signed, the claimant whose signature appears on the ticket is entitled to the corresponding prize.
3. If more than one signature appears on the ticket, the Director is authorized to require that one or more of those claimants be designated to receive payment.
4. A claim form shall be submitted by each claimant who is designated by the Director to receive a portion of the prize claimed from the winning ticket.
5. Any claim forms submitted shall be signed by all other claimants whose signatures appear on the ticket and who are relinquishing their individual claims to the winning ticket.
6. Payment shall be made to any claimants designated on the claim form.
7. The Lottery is not responsible for lost or stolen tickets.

I. Ticket validation requirements:

1. To be a ticket eligible to receive a prize, all of the following requirements shall be satisfied.
 - a. The ticket is:
 - i. Issued by the Lottery through a retailer, from a terminal, in an authorized manner;
 - ii. Intact and is not mutilated or tampered with in any manner;
 - iii. Not defectively printed or produced in error;
 - iv. Not counterfeit, stolen, or voided; and
 - v. Able to pass all other confidential validation tests determined by the Director;
 - vi. Validated in accordance with the provisions of subsections (K) and (L).
 - b. The ticket data is:

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- i. Recorded in the on-line contractor's central computer system prior to the drawing;
 - ii. In agreement with the computer record;
 - iii. In the Lottery's official file of winning tickets and has not been previously paid.
 - e. Any winning game play on the ticket is separately lettered and consists of a selected set of numbers from the defined game matrix.
 - 2. If a ticket fails to pass any of the requirements in paragraph (1), the ticket is void and ineligible for any prize payment.
- J.** Disputes concerning a ticket.
 - 1. If a dispute between the Lottery and a claimant occurs concerning a ticket, the Director is authorized to replace the disputed ticket with a ticket of equivalent sales price from any subsequent drawing of the same game.
 - 2. Replacement of the disputed ticket is the sole and exclusive remedy for a claimant.
- K.** Procedure for claiming prizes.
 - 1. To claim a prize up to \$600, the claimant shall present the signed ticket to any participating on-line retailer. The retailer shall pay the claimant provided that:
 - a. All of the ticket validation criteria in subsection (H) have been satisfied; and
 - b. A proper validation ticket, which is an authorization to pay, has been issued by the terminal.
 - 2. To claim a prize that the retailer does not validate or is not authorized to pay, including all prizes over \$600, the claimant shall submit a claim form, available from any retailer, and the ticket to the Lottery.
 - 3. If the claim is:
 - a. Validated by the Lottery, a check shall be forwarded to the claimant;
 - b. Denied by the Lottery, the claimant shall be notified within 15 days from the day the claim is received in the Lottery office.
- L.** Prize payments.
 - 1. If a ticket contains more than one winning game play, any prize amounts shall be combined and paid in accordance with the prize payments limits specified in subsection (J).
 - 2. Prizes shall be paid by cash or check at the discretion of the Director.
 - 3. "LOTTO" Division 1 prize cash value (prize pool share amount) may be paid in one lump sum at the winners' discretion when purchasing the ticket.
 - 4. "LOTTO" Division 1 prizes of \$400,000 or more, regardless of the number of shares, may be paid in 20 equal annual payments at the winners' discretion when purchasing the ticket. These payments shall commence with the time of validation and thereafter be paid on the anniversary date of the winning prize drawing.
 - a. If the death of a "LOTTO" prize winner occurs, the Lottery shall pay all remaining prize payments to the prize winner's beneficiary or to any person designated by an appropriate judicial order.
 - b. The Lottery shall provide the prize amount in the form of an annuity.
 - 5. POWERBALL Division One Jackpot prizes of \$250,000 or more, regardless of the number of shares, shall be paid in 20 equal annual payments. The payments shall commence with the time of validation or after the 15th calendar day following the drawing, whichever is later, and thereafter be paid on the anniversary date of the winning prize drawing.
 - a. If the death of a POWERBALL prize winner occurs, the Lottery shall pay all remaining prize money to the prize winner's estate, to the beneficiary designated to the Lottery by the prize winner, or to any person designated to the Lottery by the prize winners, or to any person designated by an appropriate judicial order.
 - b. The Lottery shall provide the prize amount in the form of an annuity.
- M.** Prize Fund.
 - 1. 50% of the gross sales revenue from the "LOTTO" game, less any voids, is reserved for prizes and is allocated to the prize categories specified in subsection(E).
 - 2. If it is determined that there are no winning for a specific prize category in any "LOTTO" drawing, all monies allocated for that prize category shall be combined with the monies allocated for the Division 1 prize category. This roll-over process continues until there is a winning ticket for the Division 1 prize category.
 - 3. 50% of the gross sales revenue from the "Fantasy 5" game, less any voids, is reserved for prizes and is allocated to the prize categories specified in subsection(F).
 - 4. 50% of the gross sales revenue from the POWERBALL game is reserved for prizes and is allocated to the prize categories specified in subsection (G).
 - 5. If an on-line game is terminated for any reason, any remaining prize monies shall be held by the Lottery for a period of 180 days from the date of the last drawing and then used for additional prizes in any other lottery game.

R19-3-402. "Arizona Bingo" Repealed

- A.** Definitions.
 - 1. "Arizona Bingo" means an on-line game in which 24 play symbols of a 75 play symbol matrix are selected as a game card.
 - 2. "Drawing" means the process used to randomly select winning play symbols from the defined game matrix.

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3. "Game card" means the area on the ticket which contains the grid in which 24 randomly selected play symbols are printed. There may be more than one game card on a ticket.
4. "Game Profile" means the written document that includes non-confidential game information including, but not limited to, the game prize structure, winning game play style(s), and special game feature(s).
5. "Multiple winners" means a situation in which more than one claimant redeems an individual share.
6. "On-line game" means a game that is played by entering a player's game play(s) into a lottery authorized terminal to produce a ticket. The game play(s) on the ticket are compared to winning numbers selected during the drawing process to determine if a ticket holder is entitled to a prize or prizes.
7. "Play symbols" means the numbers, letters, or characters printed on each game card of a ticket that determine if a player is entitled to a prize.
8. "Terminal" means a device which is authorized by the Lottery to function in an on-line, interactive mode with the Lottery's computer system. The terminal is functional for the purpose of issuing Lottery tickets and entering, receiving, and processing Lottery transactions. These transactions include producing and voiding ticket purchases, validating winning tickets, and transmitting reports.
9. "Ticket" means paper stock issued from a terminal by a licensed Lottery agent bearing one or more game cards.
10. "Winning play symbols" means the numbers from the defined game matrix randomly selected at each drawing which determine winning game plays contained on a ticket.

B. Game Profile

1. The commission shall approve the individual game profile prior to the game being introduced to the public for sale.
2. At a minimum, the Game Profile for each game shall contain the following information:
 - a. Game name;
 - b. Prize structure, including the approximate odds and amount of prizes available, and the prize pool percentage;
 - c. Winning Play styles;
 - d. Special feature, if any;
 - e. Retail sales price.

C. Ticket Purchase and Characteristics

1. To play the on-line "Arizona Bingo" game, a player shall indicate the following by verbally communicating to the retailer:
 - a. The number of tickets the player wishes to purchase, and
 - b. The number of advance plays, if applicable.
2. A unique serial number shall be printed on the front of the ticket that will distinguish it from every other ticket.
3. A retailer shall issue, from an authorized Lottery terminal, a ticket containing one or more game play areas ("game cards") as specified in the Game Profile, each of which shall contain 24 randomly selected play symbols from a matrix of 75 play symbols and a "FREE" play symbol.
 - a. The 24 randomly selected play symbols shall be printed on each of the play cards forming a grid of five rows and five columns.
 - b. The third play symbol in the third column shall be the symbol "FREE".
4. On-line "Arizona Bingo" tickets may not be voided or canceled.

D. Drawing

1. The drawings shall be held at the times and places established by the Director and subsequently announced to the public.
2. The objective of the "Arizona Bingo" drawing is to select the twenty-four random winning play symbols with the aid of computerized drawing equipment.

E. Game Playstyle and Determination of a Winning Game Card

1. A player shall win the prize(s) indicated in the Game Profile by matching the winning play symbols selected at the drawing to the play symbols that appear in one or more of the following patterns on each game card:
 - a. Five consecutive play symbols, including the "FREE" play symbol, if appropriate, in any horizontal, vertical, or diagonal line as illustrated in Exhibit "1", or
 - b. Play symbols in all four corners as illustrated in Exhibit "2", or,
 - c. All five consecutive play symbols in the top row, the bottom row, and the first and fifth columns forming an outer frame pattern as illustrated in Exhibit "3", or
 - d. The second, third, and fourth play symbols in the second row and in the fourth row, the second, third, and fourth play symbols in the second column and the fourth column, forming an inner frame pattern as illustrated in Exhibit "4", or
 - e. The first, second, fourth, and fifth play symbols in the first, second, fourth, and fifth rows, forming a box pattern in each of the four corners as illustrated in Exhibit "5", or
 - f. The third play symbol in the first and fifth rows, the second and fourth play symbols in the second and fourth rows, and the first and fifth play symbols in the third row, forming a diamond pattern as illustrated in Exhibit "6", or

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- g. The third, fourth, and fifth play symbols in the first and fifth columns, the second and third play symbols in the second and fourth columns, the first play symbol in the third column, and the "FREE" play symbol forming an "A" pattern as illustrated in Exhibit "7", or
- h. The first, second, third, fourth, and fifth play symbols in the first and fifth rows, and the first play symbols in the second, third, and fourth rows, forming a "C" pattern as illustrated in Exhibit "8", or
- i. The first, second, third, fourth, and fifth play symbols in the first column, and the second, third, fourth, and fifth play symbols in the fifth row, forming an "L" pattern as illustrated in Exhibit "9", or
- j. The first, second, third, fourth, and fifth play symbols in the first and fifth columns, and the third play symbol in the second and fourth columns, and the "FREE" play symbol, forming an "H" pattern as illustrated in Exhibit "10", or
- k. The first, second, third, fourth, and fifth play symbols in the first row, and the second play symbol in the third column, the "FREE" play symbol, and the fourth, and fifth play symbols in the third column, forming a "T" pattern as illustrated in Exhibit "11", or
- l. Five consecutive play symbols in both diagonals forming an "X" pattern as illustrated in Exhibit "12", or
- m. The first, second, third, fourth, and fifth play symbols in the first row and fifth row, the second play symbol in the fourth row, the "FREE" play symbol, and the fourth play symbol in the second row, forming a "Z" pattern as illustrated in Exhibit "13", or
- n. The first, second, third, fourth, and fifth play symbols in the first row, the fourth play symbol in the second row, the "FREE" play symbol, the second play symbol in the fourth row, and the first play symbol in the fifth row, forming a "7" pattern as illustrated in Exhibit "14", or
- o. All of the play symbols in the first, second, third, fourth, and fifth rows, and including the "FREE" play symbol, creating a "blackout" as illustrated in Exhibit "15".

2. Players can win on each game card on a ticket.

3. There may be multiple winning patterns on a single game card matching five consecutive play symbols, including the "FREE" play symbol if appropriate, in any horizontal, vertical, or diagonal line as illustrated in Exhibit "1."

4. In the event multiple winning patterns occur on a single game card as described in (E)(1)(b) through (E)(1)(o), only the highest established prize value shall be paid on each game card.

F. Ticket Ownership and Responsibility; Prize Payment

1. Until a ticket is signed, the ticket is owned by its physical possessor.

2. When signed, the claimant whose signature appears on the ticket is entitled to the corresponding prize.

3. If more than one signature appears on the ticket, the Director is authorized to require that one or more of those claimants be designated to receive payment.

4. A claim form shall be submitted by each claimant who is designated by the Director to receive a portion of the prize claimed from the winning ticket.

5. Prior to payment of a prize, a claimant who has signed the ticket may designate another claimant to receive the prize by signing a relinquishment of claim statement.

6. Prizes shall be paid by cash or check, according to the provisions in Section I of this rule.

7. All prize levels are fixed amounts, and are specified in the Game Profile. Each game card winning any prize entitles the winner to the prize amount specified in the Game Profile.

8. The Lottery is not responsible for lost or stolen tickets.

G. Ticket Validation Requirements

1. To be a ticket eligible to receive a prize, all of the following requirements shall be satisfied:

a. The ticket is:

i. Issued by the Lottery through a retailer, from a terminal, in an authorized manner;

ii. Intact, and is not mutilated or tampered with in any manner;

iii. Not defectively printed or produced in error;

iv. Not counterfeit, stolen, or voided;

v. Able to pass all other security requirements determined by the Director;

vi. Validated in accordance with the provisions of Subsections F and I.

b. The ticket data is:

i. Recorded in the on-line contractor's central computer system prior to the drawing;

ii. In agreement with the computer record;

iii. In the Lottery's official file of winning tickets and has not been previously paid.

e. Any winning game play on the ticket is separately lettered or numbered and consists of a selected set of numbers from the defined game matrix.

2. If a ticket fails to pass any of the requirements in Paragraph 1, the ticket is void and ineligible for any prize payment.

H. Disputes Concerning a Ticket

1. If a dispute between the Lottery and a claimant occurs concerning a ticket, the Director is authorized to replace the disputed ticket with a ticket of equivalent sales price from any subsequent drawing of the same game.

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- 2. Replacement of the disputed ticket is the sole and exclusive remedy for a claimant.
- I.** Procedure for Claiming Prizes
 - 1. To claim a prize of up to and including \$599.00, the claimant shall present the signed ticket to any participating on-line retailer. The retailer shall pay the claimant provided that:
 - a. All of the ticket validation criteria in Subsection G have been satisfied; and
 - b. A proper validation ticket, which is an authorization to pay, has been issued by the terminal.
 - 2. To claim a prize that the retailer does not validate or is not authorized to pay, including all prizes \$600.00 or more, the claimant shall submit a claim form, available from any retailer, and the ticket to the Lottery.
 - 3. If the claim is:
 - a. Validated by the Lottery, a check shall be forwarded to the claimant.
 - b. Denied by the Lottery, the claimant shall be notified within 15 days from the day the claim is received in the Lottery office.
- J.** The definitions and provisions of R19-3-401 except for those contained in H, I, J, and K, do not apply to the on-line "Arizona Bingo" playstyle.

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Exhibit 1. ~~Any Horizontal, Vertical, or Diagonal Line~~ Repealed

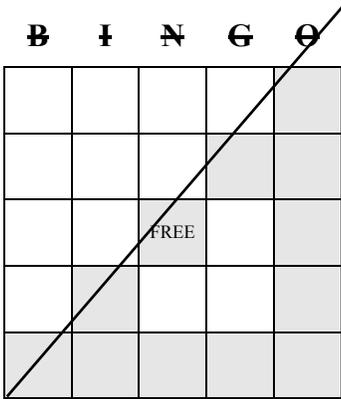


Exhibit 2. ~~Four Corners~~ Repealed

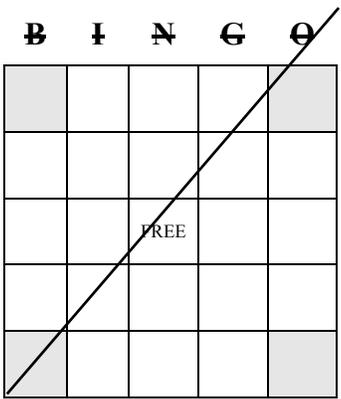


Exhibit 3. ~~Outer Frame~~ Repealed

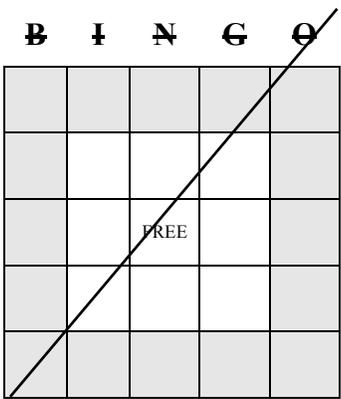


Exhibit 4. ~~Inner Frame~~ Repealed

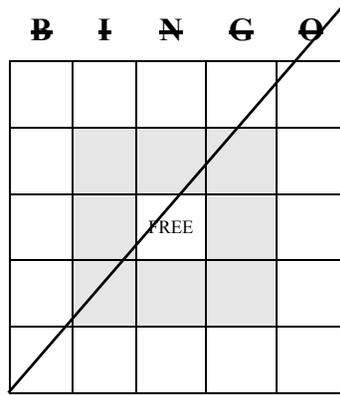


Exhibit 5. ~~Four Corner Box Patterns~~ Repealed

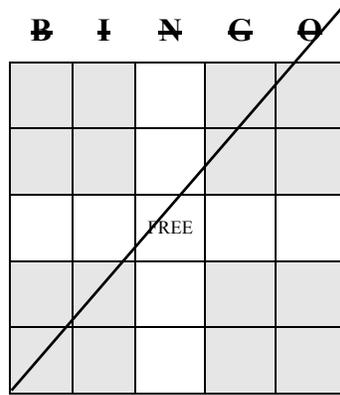
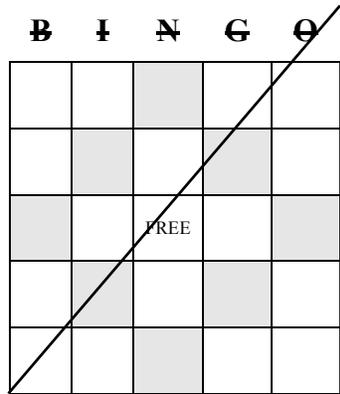


Exhibit 6. ~~Diamond Pattern~~ Repealed



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Exhibit 7. ~~“A” Pattern~~ Repealed

B I N G O

		FREE		

Exhibit 10. ~~“H” Pattern~~ Repealed

B I N G O

		FREE		

Exhibit 8. ~~“C” Pattern~~ Repealed

B I N G O

		FREE		

Exhibit 11. ~~“T” Pattern~~ Repealed

B I N G O

		FREE		

Exhibit 9. ~~“L” Pattern~~ Repealed

B I N G O

		FREE		

Exhibit 12. ~~“X” Pattern~~ Repealed

B I N G O

		FREE		

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Exhibit 13. ~~“Z” Pattern~~ Repealed

B I N G O

		FREE		

Exhibit 15. ~~“Blackout”~~ Repealed

B I N G O

		FREE		

Exhibit 14. ~~“7” Pattern~~ Repealed

B I N G O

		FREE		

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R19-3-402. Game Profile

- A.** Each game or game option shall have a Game Profile and at a minimum, the Profile shall contain the following information:
1. Game name or game option name;
 2. Matrix/description of how to play and win;
 3. Retail sales price;
 4. Purchase conditions and characteristics;
 5. Play symbols and prize symbols, if any;
 6. Prize structure, including the approximate odds, the prize amounts available, the prize pool percentage, if alternate prize structures are to be used, any subsection B provisions, and any special Division 1 (jackpot) prize specifications;
 7. Special features, if any; and
 8. Prize draw eligibility requirements, including filing period for eligibility in a winners drawing, if applicable.
- B.** Each on-line game or option may include specific variants that provide added or alternative methods of winning. Any variants shall be described in the Game Profile.
- C.** The Commission shall approve the Game Profile prior to the game being sold to the public.

R19-3-403. ~~"PICK 3™"~~ Repealed

- A.** Definitions. The following definitions and the definitions in R19-3-401(A)(3), (A)(5), (A)(9), (A)(12), (A)(13), (A)(15) and (A)(16) apply to ~~PICK 3™~~.
1. ~~"Game play" or "play" means the selected numbers which appear on a ticket as a single wager. More than 1 game play may appear on a ticket.~~
 2. ~~"Game Profile" means a written document that contains non confidential game information including the game name, matrix/prize structure, prize fund percentage, game play styles, the frequency of drawings, play symbols, retail sales price, and special game features.~~
 3. ~~"On line game" means a game that is played by entering a player's game play or plays into a lottery authorized terminal to produce a ticket. The game play or plays on the ticket are compared to winning numbers selected during the drawing process to determine if a ticket holder is entitled to a prize or prizes.~~
 4. ~~"PICK 3™" means an on line game in which 3 play numbers between 0 and 9 are selected as a game play.~~
 5. ~~"Play symbols" means the numbers, letters, or characters printed on each game play of a ticket that determine if a player is entitled to a prize.~~
 6. ~~"Ticket" means paper stock issued from a terminal by a licensed Lottery retailer containing 1 or more game plays with the game play data for an individual game. The game play data includes at least the caption designating the game name, individual game plays which display the selected numbers, letters, or symbols, the dates of the drawings, the price of the ticket, the number of draws, retailer number, and a unique serial number.~~
 7. ~~"Winning play symbols" or "winning numbers" means the 3 numbers between 0 and 9 that are randomly selected at each drawing which determine winning game plays contained on a ticket.~~
- B.** Ticket Purchase and Characteristics
1. ~~To play the on line PICK 3™ game, a player shall select 1 or more game plays of 3 numbers and a game play style for each game play for input into a terminal. A player may select each game play by:~~
 - a. ~~Verbally communicating the numbers to a retailer;~~
 - b. ~~Marking the numbered squares required in any 1 game board on a selection slip and submitting the selection slip to a retailer;~~
 - e. ~~Requesting a "quick pick" from the retailer, or~~
 - d. ~~Marking "quick pick" on a selection slip.~~
 2. ~~The price for each game play shall be no more than \$1.~~
 3. ~~A PICK 3™ ticket, subject to the validation requirements of subsection (G), is the only proof of any game play and the only valid receipt for claiming any prize. A selection slip has no pecuniary value and does not constitute evidence of any ticket purchased.~~
 4. ~~A unique serial number shall be printed on the front of the ticket and will distinguish it from every other ticket.~~
 5. ~~A retailer shall issue, from an authorized Lottery terminal, a ticket containing 1 or more game play areas as specified in the Game Profile, each of which shall contain 3 selected play symbols from 0 through 9.~~
 6. ~~A ticket holder may not have a PICK 3™ ticket voided or canceled.~~
 7. ~~The Lottery shall not be liable for ticket errors. The ticket holder is responsible for the accuracy of ticket data.~~
- C.** Drawings
1. ~~The objective of a PICK 3™ drawing is to randomly select 3 single digit winning numbers as defined in the Game Profile. Mechanical, electrical or computerized drawing equipment shall be used to make the random selection. The 3 single digit numbers shall be used to determine PICK 3™ winning game plays.~~
 2. ~~The drawings shall be held at the times and places established by the Director and subsequently announced to the public.~~
- D.** Game Play Styles

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1. The PICK 3™ game play styles shall be listed in the Game Profile and shall be 1 or more of the following:
 - a. "Straight" means a play in which the player matches all 3 selected winning numbers in the exact order drawn.
 - b. "3 way box" means a play in which the player matches all 3 selected winning numbers in any order drawn and 2 of the 3 numbers are identical.
 - c. "6 way box" means a play in which the player matches all 3 selected winning numbers in any order drawn.
 - d. "3 way straight box" means a play in which the player matches all 3 selected numbers in the exact order drawn or in any order drawn, and 2 of the 3 numbers are identical.
 - e. "6 way straight box" means a play in which the player matches all 3 selected winning numbers in the exact order drawn or any order drawn.
 - f. "Front pair" means a play in which the player matches the 1st 2 selected winning numbers in the exact order drawn.
 - g. "Back pair" means a play in which the player matches the last 2 selected winning numbers in the exact order drawn.
 - h. "Lead digit" means a play in which the player matches the 1st selected winning number.
 2. More than 1 game play style may appear on a ticket.
- E. Determination of a Winning PICK 3™ Game Play**
1. A player shall win the prize amount indicated in the matrix/prize structure described in the Game Profile by matching the winning play symbols selected at the drawing to the play symbols that appear in 1 or more of the following game play styles on each game play. Prizes shall be determined and awarded on the following basis:

Game Play style & Prize Category	Odds of Winning	Prize Amount
Straight	1:1000	\$500
3-Way Box	1:333.33	\$160
3-Way Straight Box (Combo)	1:1000 1:333.33	\$330 \$80
6-Way Box	1:166.66	\$80
6-Way Straight Box (Combo)	1:1000 1:166.66	\$290 \$40
Front Pair	1:100	\$50
Back Pair	1:100	\$50
Lead Digit	1:10	\$5

- "3 way straight box" pays three hundred thirty dollars (\$330) if numbers match in exact order drawn and pays eighty dollars (\$80) if numbers match in any other order drawn.
 - "6 way straight box" pays two hundred ninety dollars (\$290) if numbers match in exact order drawn and forty dollars (\$40) if numbers match in any other order drawn.
2. Players can win on each game play on a ticket.
 3. No more than the highest prize amount established shall be paid on a winning game play.
- F. Ticket Ownership and Responsibility; Prize Payment**
1. Until a ticket is signed, the ticket is owned by its physical possessor.
 2. When signed, the claimant whose signature appears on the ticket is entitled to the corresponding prize, subject to section F(5) below.
 3. If more than 1 signature appears on the ticket, the Director shall require that 1 or more of those claimants be designated to receive payment. A claim form shall be submitted by each claimant who is designated by the director to receive a portion of the prize claimed from the winning ticket.
 4. Prior to payment of a prize, a claimant who has signed the ticket may designate another claimant to receive the prize by signing a relinquishment of claim statement.
 5. If a winning ticket was purchased by a group of players, the group shall designate 1 of the claimants to sign the ticket. Each claimant shall complete a claim form to receive the claimant's portion of the prize. In the case of a dispute concerning ownership of a ticket, the claimant whose signature appears on the ticket is entitled to the corresponding prize.
 6. The Lottery shall only make payment to the claimant, less any authorized debt set-off amounts, who is also the holder of the ticket.
 7. Prizes shall be paid by cash or check, according to the provisions in sub-section H of this rule.

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8. All prize levels are fixed amounts, and are specified in the Game Profile. Each play winning any prize entitles the winner to the prize amount specified in the Game Profile.
9. The Lottery is not responsible for lost or stolen tickets.
- G. Ticket Validation Requirements**
 1. Each ticket shall be valid and validated prior to the payment of a prize.
 2. For a ticket to be eligible for a prize, all of the following requirements shall be satisfied:
 - a. The ticket is:
 - i. Issued by the Lottery through a retailer, from a terminal, in an authorized manner;
 - ii. Intact, and is not mutilated or tampered with in any manner;
 - iii. Not defectively printed, reprinted stating "Not for Sale" on the ticket, or produced in error;
 - iv. Not counterfeit, stolen, or voided;
 - v. Able to pass all other confidential validation requirements determined by the Director;
 - vi. Validated in accordance with the provisions of Subsections F and H.
 - b. The ticket data is:
 - i. Recorded in the on-line contractor's central computer system prior to the drawing;
 - ii. In agreement with the contractor's central computer system record;
 - iii. In the Lottery's official file of winning tickets and has not been previously paid.
 - e. Any winning game play on the ticket is separately lettered or numbered and consists of a selected set of numbers from the defined game matrix.
 3. If a ticket fails to pass any of the requirements in subsection 2, the ticket is void and ineligible for any prize payment.
- H. Procedure for Claiming Prizes**
 1. To claim a prize of up to and including \$500, the claimant shall present the signed ticket to any participating on-line retailer. The retailer shall pay the claimant provided that:
 - a. All of the ticket validation criteria in Subsection G have been satisfied; and
 - b. A proper validation ticket, which is an authorization to pay, has been issued by the terminal.
 2. To claim a prize that the retailer does not validate, the claimant shall submit a claim form (available from the Lottery or any retailer) and the ticket to the Lottery.
 3. If the claim is:
 - a. Verified and validated by the Lottery, the Lottery shall make payment of the amount due to the claimant, less any authorized debt set off amounts.
 - b. Denied by the Lottery, the Lottery shall notify the claimant within 15 days from the day the claim is received in the Lottery office.
 4. The Lottery is discharged of all liability upon payment of the prize.
- I. Claim Period**
 1. In order for the claimant to receive payment, a winning on-line game ticket shall be received by the Lottery or a retailer no later than 5:00 p.m., Mountain Standard Time on the 180th calendar day following the on-line game drawing in which the prize was won.
 2. If a claimant presents a valid winning ticket to a retailer for payment on the 180th calendar day following the announced end of game or on-line game drawing and is not paid the prize, the Director is authorized to pay the prize if the claimant presents the valid winning ticket to the Lottery no later than 5:00 p.m. (Phoenix time) on the following business day.
 3. The end of an on-line game shall be designated by the Director and on file at the Lottery.
- J. Disputes Concerning a Ticket**
 1. If a dispute between the Lottery and a claimant occurs concerning a ticket, the Director is authorized to replace the disputed ticket with a ticket of equivalent sales price from any subsequent drawing from any current on-line game.
 2. If a defective ticket is purchased, the Lottery shall replace the defective ticket with a ticket or tickets of equivalent sales price from any current game.
 3. Replacement of the disputed ticket is the sole and exclusive remedy for a claimant.

R19-3-403. Ticket Purchases, Characteristics, and Restrictions

- A.** To play an on-line game, a player shall select the specified number of play symbols from the defined game matrix approved in the Game Profile for input into the terminal. Selection methods include:
 1. Communicating the play symbols and game options to a retailer, or
 2. Marking the selection slip and submitting the selection slip to a retailer, or
 3. Requesting a "Quick Pick," or
 4. Marking a "Quick Pick" box on a selection slip.
- B.** Game plays must be entered into the Lottery terminal manually or by inserting a Lottery selection slip that is hand marked by the player. Facsimiles, simulations, copies of selection slips, or other materials not printed or approved by the Lottery are prohibited from use.
- C.** To claim a prize, a player must submit the original ticket for validation. Selection slips are not proof of purchase.

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D. The ticket holder is responsible for the accuracy of ticket data. The Lottery shall not be liable for ticket errors.

R19-3-404. Drawings

A. The drawings shall be held at the times and places established in the Game Profile.

B. The on-line game drawing shall randomly select the winning play symbols from those defined in the Game Profile. Mechanical, electrical, or computerized drawing methods may be used to make the random selection.

R19-3-405. Determination of a Winning Game Play

A. A player shall win the prize(s) indicated in the prize structure by matching the winning play symbols selected at the drawing to the play symbols selected by the player.

B. Players may win on each game play on a ticket.

C. There may be multiple winning patterns on a single ticket that match winning patterns described in the Game Profile.

D. The prize structure ordered in the Game Profile shall determine the pari-mutuel and/or fixed prize amount to be paid on a single winning game play.

R19-3-406. Ticket Ownership and Responsibility: Prize Payment

A. Until a ticket is signed, the ticket is owned by its physical possessor.

B. The Director shall recognize as the owner of a winning on-line ticket the person whose signature appears upon the ticket in the area designated for that purpose.

1. If more than one signature appears on the ticket, the Director is authorized to require that one or more of those claimants be designated to receive the payment. A claim form shall be submitted by each claimant who is designated to receive a portion of the prize claimed from the winning ticket.

2. Prior to payment of a prize, a claimant who has signed the ticket may designate another claimant to receive the prize by signing a relinquishment of claim statement.

3. When the winning ticket was purchased by a group of players, the group shall designate one of the claimants to sign the ticket for the group. Each claimant shall complete an individual claim form to receive the claimant's portion of the prize.

4. In the event there is an inconsistency in the information submitted on a claim form and as shown on the winning on-line ticket, the Director shall authorize an investigation and withhold all winnings payable to the ticket owner or holder until such time as the Director is satisfied that the proper person is being paid.

C. Prior to paying the claimant a prize of \$600 or more, the Lottery shall match the winner's name against the lists of persons owing a debt to a participating state agency, furnished to the Lottery under A.R.S. § 5-525.

1. If there is a match on any of the claims submitted with a ticket, the amount that is owed shall be deducted from the prize due the claimant.

2. The claimant shall be notified in writing of the amount of the set-off and the agency to which it shall be paid.

3. If the claimant has two or more agencies which are owed a debt, the Lottery shall pay a pro-rata share to each of the agencies, except that a Department of Economic Security overdue child support set-off shall be paid in full before any amount shall be paid to another agency.

4. The claimant shall be notified in writing that a right to appeal the set-off exists and must be commenced within 30 days of the receipt of this notification. The notification shall include the name and address of the agency with which to file the appeal.

5. If, after deducting withholding taxes and the set-off, a portion of the prize remains then that portion shall be paid to the winner with the notification of set-off.

6. The amount of set-off shall be forwarded to the agency, and that agency shall be responsible for any appeal and crediting of the payment against the amount owed or refunding any amount to the winner.

7. Upon a determination that a set-off is due, the winner loses the right under subsection (B)(2) to assign any portion of the claim.

D. Prizes shall be paid by cash, check, or if requested by the player, by Lottery tickets.

1. If a ticket contains more than one winning game play, any prize amounts shall be combined and paid in accordance with the prize payment limits specified in section R19-3-408.

2. Each winning game play wins the prize amount specified in the Game Profile.

E. The Lottery is not responsible for lost or stolen tickets.

R19-3-407. Ticket Validation Requirements

A. Each on-line game ticket shall be validated prior to the payment of a prize.

B. To be eligible for a prize, a ticket holder must present a ticket meeting all of the following requirements:

1. Issued by the Lottery through a retailer, from a terminal, in an authorized manner;

2. Intact and not mutilated or tampered with in any manner;

3. Not defectively printed;

4. Not a reprinted ticket stating "Not for Sale" on the ticket;

5. Not counterfeit or stolen;

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6. Able to pass all other confidential validation tests determined by the Director; and
 7. Validated in accordance with the provisions of sections R19-3-406 and R19-3-408.
 8. The ticket data is:
 - a. Recorded in the designated central computer system prior to the drawing;
 - b. In agreement with the computer record;
 - c. In the Lottery's official file of winning tickets;
 9. Any winning game play on the ticket consists of a selected set of play symbols from the defined game matrix.
 10. Has not been previously paid.
- C. If the ticket fails to pass any of the requirements in section R19-3-407(B), the ticket is void and ineligible for any prize payout.

R19-3-408. Procedure for Claiming Prizes

- A. To claim a prize of up to and including \$599, the claimant shall present the ticket to any participating on-line licensed retailer or to a Lottery office, or mail the ticket to a Lottery office for validation. The licensed retailer shall pay a winner a prize up to and including \$100 and may pay a winner a prize up to and including \$599 provided that:
1. All of the ticket validation criteria in section R19-3-407 has been satisfied; and
 2. A proper validation slip, which is an authorization to pay, has been issued by the terminal.
- B. To claim a prize that the retailer does not validate or is not authorized to pay, including all prizes of \$600 or more, the claimant shall submit a claim form, available from any retailer, and the ticket to the Lottery. If the claim is:
1. Verified and validated by the Lottery as a winning ticket, the Lottery shall make payment of the amount due to the claimant, less any authorized debt set-off amounts and/or withheld taxes.
 2. Denied by the Lottery, the claimant shall be notified within 15 days from the day the claim is received in the Lottery office.
- C. If a prize winner dies prior to receiving full payment, the Lottery shall pay all remaining prize money to the prize winner's beneficiary or to any person designated by an appropriate judicial order.
- D. The Lottery is discharged of all liability upon payment of the prize money.
- E. Payment of prize money shall not be accelerated ahead of its normal date of payment.

R19-3-409. Claim Period

- A. In order for the claimant to receive payment, a winning on-line game ticket shall be received by the Lottery or a retailer no later than 5:00 p.m. (Phoenix time) on the 180th calendar day following the game drawing date.
- B. If a claimant presents a valid winning ticket to a retailer for payment on the 180th calendar day following the game drawing date and is not paid the prize, the Director is authorized to pay the prize if the claimant presents the valid winning ticket to the Lottery no later than 5:00 p.m. (Phoenix time) on the following business day.
- C. The end of an on-line game shall be designated by the Director and on file at the Lottery.

R19-3-410. Disputes Concerning a Ticket

- A. If a dispute between the Lottery and a claimant occurs concerning a ticket, the Director is authorized to replace the disputed ticket with a ticket of equivalent sales price for any subsequent drawing from the same game.
- B. If a defective ticket is purchased, the Lottery shall replace the defective ticket with a ticket or tickets of equivalent sales price from the same game.
- C. Replacement of the disputed ticket is the sole and exclusive remedy for a claimant.
- D. If a dispute between the Lottery and a claimant occurs concerning the eligibility of an entry into a Grand Prize drawing, the Director is authorized to place any person's eligible entry that was not entered in the Grand Prize drawing into a subsequent Grand Prize drawing or drawings.

R19-3-411. Prize Fund

- A. Not less than 50% of the total annual revenue accruing from the sale of on-line game tickets shall be deposited in the state lottery prize fund for payment of prizes to the holders of winning tickets.
- B. If an on-line game is terminated for any reason, any remaining prize monies shall be held by the Lottery for a period of 180 days from the date of the last drawing and then used for additional prizes in any other Lottery game.

R19-3-412. Multi-State Lottery Association Games

- A. The Arizona Lottery is a participating member of the Multi-State Lottery Association (MUSL) referred to as a "party lottery" in the MUSL game rules.
- B. A game profile approved by the Commission and conforming to the information required in R19-3-403 shall be on file at the Arizona State Lottery for all MUSL games played in Arizona.